

Hypothetical Scenario

BigCo is a provider of computing hardware, software and services. BPCo is a business partner of BigCo, and is working on a bid to GovCust, a government customer who is making a 3 million dollar purchase of computing hardware and software.

Jose Morales is the BPCo marketing representative and is meeting with the BigCo representative, Fernando Luccas. "I have great news on the GovCust bid, Jose states, I really think we are well positioned to win." "That is terrific news" said Fernando, "but I thought our prices might be too high. What is making the difference." "We have several things going for us here, Jose said. First, during the last purchase GovCust made, they had several technical problems. I know the purchasing manager at GovCust, and he asked me to help him write the specifications to the bid. The purchasing manager almost lost his job over the last purchase, and so he wanted someone with expertise to help him here. Of course, the specifications I wrote read directly on our product capabilities. Since our products are the best, I'm helping both the customer and our business. I also just spoke with an ex-colleague who now works for our largest competitor, "CompCo". He said that his company is not pursuing this type of business because they are focusing on low end consumer opportunities, and this bid involves mid range. I assured him that our focus is mid to high end, so we are less likely to meet in customer situations in the future than we have in the past."

"Jose, that is excellent," said Fernando, "let me make one other suggestion. I have used a company called SmallCo in the past when delicate negotiations are involved. Their fees are high and they don't itemize their work – just ask for a lump sum payment. But I've found they provide excellent service. I suggest you retain them as a subcontractor. Here is my contact and his phone number. Just tell them Fernando Luccas suggested you contact him, and he will take care of the rest. He has excellent contacts at GovCust." Fernando then said, "Jose, assuming you do win the contract, this will mean a significant increase in your company's revenues. I'm sure that means your stock will appreciate significantly as well. It sounds like a good time to buy your company's stock."

As anticipated, the next month the bid is awarded to BPCo. Jose and Fernando meet again to discuss supplying the product to GovCust. Fernando says, "Jose, I'm delighted we won this business. We're both going to be well rewarded for bringing in this business. There's one issue we need to take care of. We've had a slight problem in our manufacturing process, so the completed products are not yet ready for shipment, but we need to figure out how to get the revenue in this quarter if we are going to make both of our revenue plans. We have subassemblies but need some of the chips to complete the products. Here is what I suggest. The customer has told us that shipment timing is not crucial as he does not really need the equipment until next quarter anyway. So I propose to ship you the subassemblies and promise to ship the chips next quarter when they are ready. We will install them next quarter at no cost – it is very easy to do – and then you will have the completed product. You would agree to accept and pay for the completed products now. If for some reason things get delayed, I will agree to give you a full right

of return on the entire products, including the subassemblies. You must then establish the same terms with the government. This way, we can recognize all of the revenue in the quarter. For what it is worth, I'm told that the risk to the chips being delayed further is almost zero, so this really is a no risk situation. What do you think?"

Jose said, "I think this is a creative way of solving our problem. I don't think the government will have an issue with it, since they have a full right of return if things don't work out, as does BPCo. So there is no risk for GovCust or BP Co. And as you said, it really helps us both in a situation which, as you say, is almost no risk. Let me go talk to the customer."

After speaking with the customer, Jose calls Fernando to describe his call with the customer. "Fernando, the call with the customer went well, and he is agreeable to the contract change. That said, he did ask for one thing. We are hosting a customer event in Orlando, Florida in June. He has wanted to go to Walt Disney World for some time, and so he has asked if we could give him free entrance to our event and also pay for his travel and hotel expenses. Our Orlando event is a bona fide education session on our server products, so this is a "win win" situation. He will be educated on our product for future purposes, and he gets to visit Walt Disney World as well at no charge." Fernando said, "Jose, I agree. We can cover the costs as part of our bid costs. I'll be sure GovCust is invited to this event and that we handle the expenses."

A week later Jose called Fernando. Fernando, I have more good news. I asked our consultant DataSearch to do some market research for us. They provided the research, and attached to it was a document I think they must have received from our competitor Compco. It is a letter from Compco to DataSearch asking DataSearch for advice on marketplace opportunities, and has some very interesting statements on Compco's future business direction. It is marked "Proprietary." I think DataSearch inadvertently attached it to the document they intended to send us. . I certainly didn't ask for it, so the error is theirs, and as far as I am concerned, "Finders Keepers. I will send you a copy for your use"

Did the conversations between Fernando and Jose raise any integrity issues? If so, how should they be addressed?

Business Partner Integrity Forum – Feedback Survey Form

| Question | Strongly Agree | Agree | Neutral/Does Not Apply | Disagree | Strongly Disagree |
|---|----------------|------------------------|------------------------|-------------------|-------------------|
| The session / workshop was useful in helping me understand the importance of compliance for IBM | | | | | |
| The host/presenter was knowledgeable about the topics discussed | | | | | |
| The host/presenter offered relevant tips/guidelines | | | | | |
| The host/presenter made the topics discussed interesting and engaged the audience | | | | | |
| I will be able to rely on lessons from the module to help solve related problems in my company | | | | | |
| I am more aware of IBM's compliance programs | | | | | |
| Adequate time was given to cover the topics | | | | | |
| I know where/how to get help for ethics issues | | | | | |
| | Completely | To a Reasonable Extent | Not Sure | To a Small Extent | Not at All |
| To what extent did you understand the content covered in this session / workshop before attending? | | | | | |
| To what extent did you understand the content covered in this workshop / session after attending it? | | | | | |
| What went well for you? <hr/> | | | | | |
| What do you think could have been better? <hr/> | | | | | |
| What other topics/matters on integrity in IBM would you be interested in? <hr/> | | | | | |